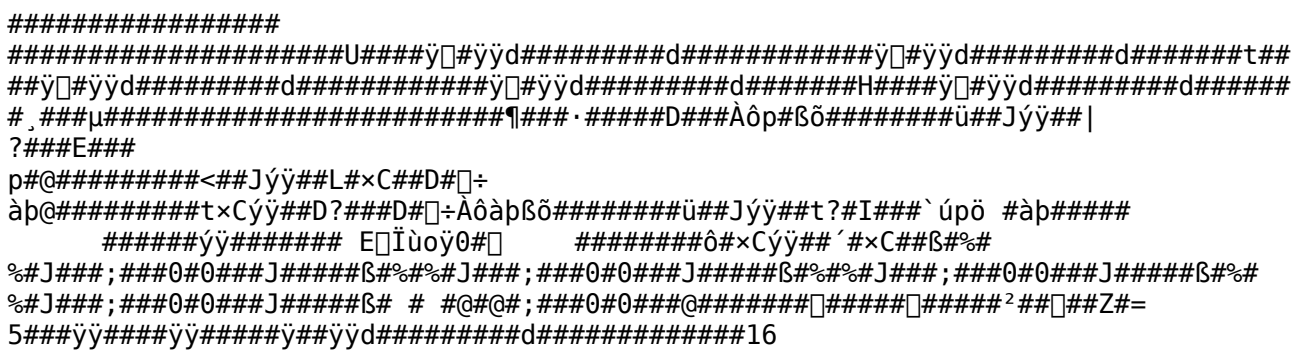

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Ã#ÿÿ ###ÿÿ#####ÿ□#ÿÿd#########d#########®###BackgroundAFI 63-124 Paradigm Shifts
Past PerformanceMarket ResearchCommercialPerformance Based Service Contracting
PartneringInsight versus Oversight SBs Need to Know

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ÿÿ###ÿÿ#####ÿ□#ÿÿd#########d#########¯###Background. Dramatically declining budget is the driver of change in today□s environment. I□ll briefly talk about the change in AF directives for service contracts.Paradigm Shifts. A paradigm is a set of rules or a model that allows us to operate easier. What I□m trying to get across here is that we incorporate certain ways of doing things as givens. When the paradigm or model changes we have to unlearn things before we can accept the new model. For most of us this is much harder than learning new things.Past Performance. Because we are using □Best Value□ techniques on more and more of our acquisitions and past performance is a measure of quality, past performance frequently determines who gets new contracts. Market Research is much more robust than our past use of a □sources sought synopsis□Commercial buys under FAR Part 12 is a huge departure from IFBs.Performance Based Service Contracting is stating requirements as the □what□ not the □how to□. Partnering is a commitment to communicate within the government and with contractors. Insight versus Oversight It□s not just a new buzz word it is a more efficient way of getting to acceptance of contractor performance. #

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###ÿÿ#####ÿ□#ÿÿd#########d#########ó###AFM 64-108 professed but didn□t produce
performance-based service contracts (PBSC)□What□ not □how□Measurable performance
standardsContract performance incentivesAFI 63-124 replaces AFM 64-108, Service
Contracts and AFI 63-504, QAE Programd
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ï#ÿÿ ###ÿÿ#####ÿ□#ÿÿd#########d#########î###Provides flexibility toApply
acquisition reform principlesEncourages use of commercial practicesPromotes
business process improvementsRequires team approachRelies on Internet based
guidance/examplesWith flexibility comes complexity
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###ÿÿ#####ÿ□#ÿÿd#########d#############AFI 63-124 is entitled Performance-Based Service Contracts. It is similar to FAR Part 1 in providing guiding principles in contrast to AFM 64-108 which directed a single step-by-step method of writing and administering service contracts. It does attempt to break down organizational barriers by requiring a team approach to planning, writing, awarding and administering a service contract. The team is called a Business Requirements Advisory Group (BRAG). In the best case it simply provides a name to the working level folks from the functional or customer, contracting and support folks like legal and finance that already work a specific contract. In the unfortunate nonfunctional situation where these people are not working closely together AFI 63-124 provides a name and formal requirement to form the BRAG.Since the new AFI provides the □what□ and no longer the detailed □how to□ work a service contract, there are too many options to describe in the instruction. The idea is to provide guidance, samples and best practices on the Internet as they become available. The web site is www.bsx.org. It is much harder to make decisions than be told how to do something. The job of the BRAGs will be harder but the reform tools and new flexibility offer opportunities for significant savings.

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ï### ##########ÿ�#ÿÿd#########d#########Ò###From �How to� and IAW AF publications to �What� Focus on end results NOT processesFrom only the CO can talk to contractors to market research and open communicationFrom AF unique to commercial practices

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ú□ÿõ#s   ÿÿ###ÿÿ#####ÿ□#ÿÿd#########d#########³###AF publications tend to set forth specific steps that should result in the desired end. One of the reasons we haven't achieved performance-based service contracts is we incorporate directive publications for contractors to follow. This establishes a government unique way of performance rather than focusing on the end result. The contractor satisfies the contract if he follows the directives, whether we get what we need or not. The preference for commercial practices requires that we first become familiar with how private industry acquires and performs services. We need to encourage functionals to talk to contractors to identify and understand what is available commercially before they write the description of services. And talk to potential offerors about draft solicitations to improve the final solicitation/contract. This is in direct conflict with our previous admonitions that functionals should not talk to contractors.   #

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ï#ÿÿ ###ÿÿ#####ÿ□#ÿÿd#########d#########Å###From □low bidder□ to □best value□ using contractor past performance record From in-house to commercial sourcing From AF identification of performance deficiencies to contractor quality assurance;

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ú□ÿ□#s   ############ÿ□#ÿÿd#########d#########1###We relied on the sealed bid process for so long that this is probably the biggest change in mind set. There are many jokes about the low bidder that will live long past our reliance on the sealed bid procedure. The impact of using a contractor□s past performance record for selection may come as a surprise to some small businesses who are used to having the government tell them how to do everything and pointing out when they didn□t do it right. The growing use of performance/price tradeoff for operational requirements makes performance pivotal for future awards.The government is less likely now than in the past to exercise an option to extend the period of performance if contractor performance is poor. It may not even be worth the poor performer□s time to propose on the next competition because of the consideration past performance has on selection. Outsourcing is providing new business opportunities. To be successful it requires use of slicker and quicker commercial practices rather than doing it the AF way.The AF no longer has the resources to have QAEs in the field telling the contractor when there is a performance deficiency. The trend is to formalize the contractor□s quality system and validate it is adequately ensuring comforming services rather than having QAEs directly observe performance.c

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ú□ÿõ#s   ÿÿ###ÿÿ#####ÿ□#ÿÿd#########d#########}###Random sampling is time and resource intensive. The new focus is on finding a way to efficiently validate performance. For example customer feedback can be an efficient method of surveillance for custodial services. Audit of a contractor□s quality system is another method that requires fewer government resources.The preponderance of random sampling causes us to focus on taking money away from the contractor rather than getting the performance we need. Reperformance has always been preferred if there was a problem but random sampling seldom results in reperformance.This approach made us seem like we were out to get the contractor not the services. It also tends to accentuate a □we - them□ attitude rather than focus on achieving a common goal.The new focus is on the fact that the contractor is responsible for making sure his services conform to the contract. The AF is no longer standing over the contractor□s shoulder to see that he does. The impact is that performance risk shifts to the contractor. If he doesn□t perform well that is reflected in his performance record which influences exercise of options and future awards.t

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ï#ÿÿ ###ÿÿ#####ÿ□#ÿÿd#########d#########O###Standardized report card for collection of contractor performance information   Five tier rating: Exceptional, Very Good, Satisfactory, Marginal and UnsatisfactoryPast performance information used in selecting the source for new contractsRelevant and recentAF may choose not to exercise options based on contractor□s performance

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ÿÿ###ÿÿ#####ÿ□#ÿÿd#########d#########¯###The AF has standardized evaluation and recording of contractors□ performance by directing use of AFMC Form 162A for nonsystems contracts. It uses a five tier rating system and specific assessment items including quality of performance, cost control (if other than fixed price), schedule, business relations. Business relations looks at how cooperative the contractor is and how proactive he is in finding and resolving performance problems, how he complies with subcontracting goals, etc. The concept is that the feedback and use of this information in selecting contractors for future contracts will incentivize contractors to perform better. The past performance information used in evaluation should be both relevant and recent. If a contractor has no past performance the FAR requires a neutral rating. This is to ensure new businesses can compete. In practice a neutral rating is not desired so OFPP and DoD guidance is to evaluate the contractor if he performed as a subcontract or look at performance of key personnel.I□m repeating myself but it is really important to note that with the pressure to convert contracts to performance-based and the ability to reach contractors with better performance records through best value techniques along with bundling small requirements with commercial sourcing actions, options may not be exercised. SBs should not simply expect the government to exercise their unilateral right to exercise options.

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ï#ÿÿ ###ÿÿ#####ÿ□#ÿÿd#########d#########O###Required before developing new requirements and before soliciting offersPurpose is to determine:
      What is available in the market place   How requirement can be described in commercial termsExtent is □appropriate to circumstances□Exchange of information with industry is encouraged and promoted#

##########ÿ□#ÿÿd#########d#############Market research if done as intended begins very early in the planning stage and influences the way the requirement is written and awarded. The benefits of going commercial include getting the latest technology, getting what you need at a much lower price because it’s already available in the market place, having the contractor assume the design risk (if it doesn’t work you don’t pay for it), and relying on the market place for an acceptable level of quality rather than inspecting the quality throughout the performance processes. Given the benefits it’s worth spending the time to research the market. This can be done by searching the Internet, talking to industry and state and local government offices to see how they buy the services, talking to contractors who provide the services, going to trade organizations or magazines for information, in addition to the traditional sources sought synopsis.Of course you spend more time researching the market on a complex or high risk service than on an readily available simple commercial service.Market research requires going to the people who are in or know the specific market. This means we now encourage our functionals to talk to contractors rather than threatening them so they won’t.(After solicitation, release, CO is focal point)

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ï#ÿÿ ###ÿÿ#####ÿ□#ÿÿd#########d#########D###Buy commercial if it exists and meets needUse commercial practices to extent possibleIntent is to get all the benefits of the commercial market place: slicker, quicker, cheaper, better, while simplifying and streamlining our acquisition processesRequires government gain and maintain knowledge of commercial market place

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ú□ÿõ#s   ÿÿ####ÿÿ#####ÿ□#ÿÿd#########d#########Ç###We don□t have a choice. The policy is to buy commercial to the maximum extent practical. It really is easier to write and administer a commercial contract. For example in AFSPC, we had a complex cost reimbursement contract for cellular phone service from FY92 to FY97. The cellular phone industry boomed during that time. We were able to reduce the statement of work to less than one page, issue a combined solicitation/synopsis and award a new contract within 2 months of finalizing the description of requirements. We got a better price for increased service and virtually eliminated time spent on surveillance. We simply validate the air time and make payment. The transition was seamless.Initially it was tough to get the communications folks to realize the general didn□t need AF unique requirements for his cellular phone. Once we worked through the fear of letting go of a 50 page statement of work, the customer has been delighted with the outcome.a

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ü##ï#ÿÿ ###ÿÿ#####ÿ□#ÿÿd#########d#############Intent is to get what we need, and pay for what we get in relation to contract standardsDescribe requirement in terms of results Use measurable performance standardsSpecify procedures when nonconforming services cannot be reperformedInclude performance incentives where appropriateh

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ú□ÿõ#s   ÿÿ####ÿÿ#####ÿ□#ÿÿd#########d#########□###I□ve used □what□ not □how to□ throughout the briefing but you can□t have a performance-based contract without measurable performance standards. How well, how fast, etc.. is the part you must have to ensure both parties understand what is acceptable. If you simply state the end result without a performance standard you usually have a vague or ambiguous statement of work. The inspection of services clauses say you will reduce the contract price (fixed price) or fee (cost reimbursable) if nonconforming services cannot be reperformed. The idea here is to consider this in your acquisition planning and describe how you will handle this in the solicitation instead of leaving it to the COs determination when it occurs. Incentives are effective in getting quality performance because they tell the contractor what is important to you and what it□s worth. Award fees are being used to get superior performance.

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Formal partnering agreements are written agreements between the contracting parties to enhance communication and reach agreement on how to achieve mutually beneficial goals and how disagreements will be handled through alternate dispute resolution techniques. The Corp of Engineers is using partnering agreements extensively.By far more common and usually as effective, is an informal approach. The key is to talk to each other and resolve issues before they become problems at the lowest level.

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ï### ##########ÿ□#ÿÿd#########d#########ÿ###Inspection of Services approach Performance-based means less inspectionDevelop while writing the requirement Understanding versus managementChoose the most efficient for the situationRely on contractor quality systemAdjust with quality of performance

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ú□ÿõ#s   ÿÿ####ÿÿ#####ÿ□#ÿÿd#########d#########Z###If you describe your requirement as perform these 10 steps, you have to watch the contractor perform each step to ensure compliance. If you describe the end result you can simply validate the contractor provided it. You can see fewer resources are required in a performance-based approach.It's important to have the same people who describe the requirement decide how to validate performance at the same time they are writing the requirement. This precludes disconnects and ensures continuity. If a requirement can't be validated the way it is written, it may need to be rewritten to achieve the results desired.The idea is to shift performance risk to the contractor and use the most efficient method to determine the contractor has provided conforming services. To choose the type and level of surveillance you need to consider risk and complexity. Commercial cellular phone service may simply require validation of billing where O&M services might call for auditing the contractor's quality system. Any method should be decreased if performance is consistently good and increased if deficiencies exist.

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##########ÿ#ÿÿd#########d#############Recognize AFI 63-124 embodies significant changes from contract concept to completionFigure out how far the issuing office is along the reform continuum Be proactive in exchanging information w/AF Commercial practices preferred SB expertise can help describe requirement

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ú□ÿõ#s   ÿÿ####ÿÿ#####ÿ□#ÿÿd#########d#############Small Businesses need to be aware of the direction the AF is going to be successful in dealing with us. Because of the significance of the changes, the human factor, and the different acquisition time lines of requirements, it□s important that Small Businesses not assume the objectives are the same for each solicitation.New opportunities for small businesses to provide input on the way a requirement is described are open. The small business should track requirements earlier to provide input or ask questions.

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The most important thing is to read each solicitation because of the new variety of acquisition approaches that are open to us.Low bid wont necessarily win the contract anymore.Know what is happening in your market. Saying you will do what the AF describes may not provide the best value.

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especially for commercial sourcing (OMB Circular A-76) Propose and implement
strong contractor quality assurance plan - Don□t wait for AF to identify
performance problemsWork on building good performance record, it may determine
future awardsF

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ú□ÿõ#s   ÿÿ####ÿÿ#####ÿ□#ÿÿd#########d#########w###If you compete for an A-76, be sure you know if the labor force you will need to perform is available and at what labor rate. Filling positions quickly with qualified personnel is essential to your performance record.Be proactive in ensuring you offer only conforming services.Building good business relations with your AF customer is important to your performance record.#

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ï###0##########ÿ□#ÿÿd#########d#########R###You can□t meet today□s needs using
yesterday□s tools and be in business tomorrow.
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###□######□########□######## #######Â########;###New AFI 63-124, Performance-Based Service Contracts (PBSC)####################IDP Customer##########################W###C:\Program Files\Microsoft Office\Templates\Presentation Designs\Portrait Notebook.pot########